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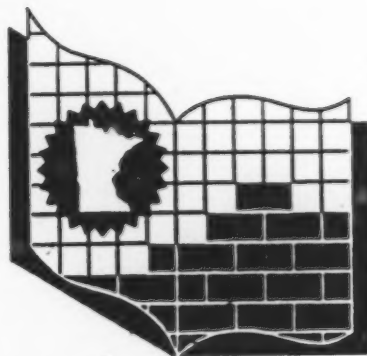
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ABSTRACT

This annual report reviews fiscal year 1999 for institutions serviced by the Minnesota Higher Education Facilities Authority. The report notes a slight decline in new financing activity, although the \$87.7 million financed during the 1999 fiscal year was the second highest annual total for the Authority. Following some introductory material, the report summarizes the mission of the Authority; reviews new financing for projects such as an equipment lease and construction of a campus center and other buildings at several colleges; and highlights other developments, including reduction of annual administrative fees, an annual debt financing conference, and an ongoing review of policies and procedures. The following section summarizes details of outstanding bond issues on a campus-by-campus basis for various public and private Minnesota colleges. A final section presents the fiscal year 1999 audit report, which includes a balance sheet and related statements of revenues, expenses, and changes in fund balances and cash flows. (SM)

ED 443 333

Minnesota Higher Education Facilities Authority



1999 ANNUAL REPORT

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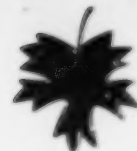
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DEDICATION

The Minnesota Higher Education Facilities Authority dedicates this Annual Report to the memory of J. Luther Anderson who served as the Executive Director from June 30, 1995 to November 15, 1999. Luther passed away suddenly and unexpectedly at his home on November 16, 1999. The Authority Board and staff are saddened at the loss. Luther was not only a talented and extremely qualified individual in his work, he was also an honest and genuinely caring individual as well. He made a positive impact on many people with his sense of humor and desire to help others. Luther will be missed by all of us at the Authority, but we know that the work that he has done for the colleges and the Authority will leave a positive impression on the Authority's future. We are thankful for the opportunity to have known and worked with Luther.

LETTER FROM THE CHAIR



GREETINGS:

I present to you the Annual Report of the Minnesota Higher Education Facilities Authority for the year ended June 30. This year's Annual Report brings with it the profound sadness that I felt with the sudden and unexpected death of the Executive Director, Luther Anderson. Luther had served as our Executive Director for the past four and one-half years. He was extraordinarily qualified and provided invaluable service to the many colleges and universities served by the Authority. Luther will be missed by all of us at the Authority.

As we look forward, please be assured that the Authority business will continue as smoothly as possible. The Board has named a Selection Committee and will start the search for a new executive director immediately. In the meantime, Elaine Yungerberg will serve as Acting Executive Director.

During the fiscal year, the Authority provided financing through ten debt issuances, benefiting seven different institutions. The total principal amount of debt issued was \$87.7 million, the second largest annual total in the Authority's history. The individual financing projects are described in more detail in the Year in Review report which follows.

These new financings, offset by principal payments and redemptions on prior issues, brings the total principal outstanding on Authority issues at June 30, 1999 to a new high level of \$412,834,244. More important than the dollar amount of financing, of course, is the reality of the new and improved facilities made available to the students, faculty and staff of the institutions served.

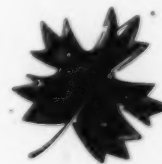
Throughout the Authority's history, this financing assistance has been provided without cost to the taxpayers of Minnesota. The credit of the State does not back the bonds, either directly or indirectly, and the operating expenses of the Authority are paid from fees associated with the various financings.

One change in the membership of the Authority occurred this year, as Governor Ventura appointed Gary D. Benson to fill the position formerly held by Tom Martinson, who did not seek reappointment. Kathryn Balstad Brewer was reappointed by the Governor to another four year term. We take this opportunity to thank Tom for his many years of diligent and thoughtful service to the Authority.

Mollie Thibodeau is also deserving of recognition and thanks upon completion of two years as Chair of the Authority. Her leadership has been much appreciated during the busiest period of financing in the Authority's history. In addition, all members of the Authority are to be commended for their continuing strong record of attendance and diligence in carrying out the Authority's business.

Fiscal Year 2000 is now well underway, with one financing already completed and others underway or anticipated. We are confident the combined efforts of the Authority members, staff and advisors will continue to provide the requested services in an efficient and cost-effective manner.

Respectfully submitted,
James R. Miller, Chair



MHEFA BOARD MEMBERS



Jack Amundson, CPA
Partner, Larson, Allen, Weishair & Co., LLP,
St. Cloud
Term Expires January, 2002

Gary D. Benson
Vice President, Kraus-Anderson Construction
Company, New Brighton
Term Expires January, 2003

Kathryn Balstad Brewer, Ph.D.
Researcher and Consultant, New Brighton
Term Expires January, 2003

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CEO, Effective Golf Course Systems, Inc.
(EGCS), Edina
Term Expires January, 2001

Kenneth D. Johnson, AIA
Principal/Corporate President, The Stanius
Johnson Architects, Inc., Duluth
Term Expires January, 2001

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President, Minnesota Private College Council

James R. Miller, MHEFA Chair
Owner and CEO, James Miller Investment
Realty Company, St. Paul
Term Expires January, 2000

Timothy Medd, Ex-officio Member
Audit Supervisor, Minnesota Higher Education
Services Office

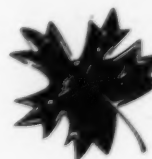
Christopher A. Nelson, MHEFA Secretary
Attorney at Law, Minneapolis
Term Expires January, 2002

Mollie N. Thibodeau, CFRE
Fund Raising Consultant, Duluth
Term Expires January, 2000



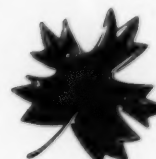
MHEFA STAFF

Elaine J. Yungerberg, Acting Executive Director
LynnPatrice Chambers, Administrative Assistant



BOND COUNSEL

Faegre and Benson, LLP (Marianne Remedios), Minneapolis



FINANCIAL ADVISORS

Springsied Incorporated (Barry Fick), St. Paul

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers, LLP, Minneapolis



THE MISSION OF THE AUTHORITY

The mission of the Minnesota Higher Education Facilities Authority is to assist eligible institutions of higher education in the State of Minnesota in financing their capital needs in an efficient and cost-effective manner.

Within the framework of Minnesota Statutes 136A.25 - 136A.42, the Authority works to assist education institutions primarily through the issuance of tax-exempt debt obligations on their behalf. The Authority also actively seeks to develop financing programs that may be of benefit to institutions and shall make its staff and technical resources available to institutions whenever the application of those resources may prove beneficial in the development or implementation of institutional debt financing plans. The Authority shall, where appropriate, actively seek to have laws and regulations amended to empower the Authority to provide such assistance. The Authority will also endeavor to inform and update the representatives of the institutions on the current regulations and strategies of debt financing.

The Authority shall conduct its activities in strict accordance with all applicable laws and regulations. The Authority will not act as a regulatory body with respect to the internal policies and activities, financial or otherwise, of any educational institution, except as may be required by law and prudent fiscal policy in the course of providing assistance to such educational institutions.

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THE YEAR IN REVIEW



Fiscal year 1999 saw a slight decline in new financing activity, not surprisingly as the colleges and universities concentrated on completing the projects financed by two successive years of very active borrowing. Even so, the \$87.7 million financed during the fiscal year was the second highest annual total for the Authority. A brief summary of the year's financing activity follows.

NEW FINANCINGS

The first financing completed in fiscal 1999 was an equipment lease (Series Four-VI) in the amount of \$4,602,000 on behalf of Gustavus Adolphus College. The proceeds were used to finance energy-related improvements to generate energy and operational cost savings, plus adding cooling capacity to certain campus buildings. The financing was processed in record time in order to help the College complete the equipment retrofit in conjunction with campuswide repairs related to the devastating tornado which struck St. Peter in March, 1998. It was also unique in that it was the first Authority financing that was treated as an off-balance sheet financing by the borrower.



Soon thereafter a two-part financing was completed for Macalester College. A new-money portion (Series Four-U1) in the amount of \$7,145,000 was used, together with other funds of the College, to finance construction of an approximately 68,000 square foot Campus Center to replace the Student Union constructed in 1950. The \$15,200,000 Series Four-U2 was a refunding issue for the College, enabling it to achieve interest savings by the refinancing of the Authority's Series Three-J Bonds, originally issued in 1992.

Still in July, a multi-purpose issue (Series Four-T) was completed on behalf of The College of St. Benedict, in the amount of \$25,430,000. Several new projects were financed with proceeds of the bonds, including construction of an approximately 10,000 square foot building to house the College bookstore and student development offices; renovation of the East Apartments complex; addition of a centralized chiller to the campus power plant and renovations to various other campus facilities. In addition, a portion of the remaining balance of the Authority's Series Three-W Bonds were refinanced to effect interest cost savings.

Augsburg College utilized the Authority's Small Project Financing Program in September to finance acquisition and remodeling of a house which will serve as the President's residence and also as a reception center for the College. The Series Four-W Revenue Note was in the amount of \$450,000.

In November, the Authority completed a second financing during the fiscal year for Gustavus Adolphus College. Proceeds of the \$11,695,000 Series Four-K Revenue Bonds were used by the College for two projects. The first was construction of a 96-bed apartment style student housing facility, and the second was a major expansion of the existing dining service building to create a new Campus Center. The existing facility was remodeled and approximately 51,000 square feet of new construction was added. Only one third of the \$18 million total project cost for the Campus Center was financed, with the balance coming from capital gifts.



THE YEAR IN REVIEW CONTINUED



Bond Series Four-Y, for Augsburg College, in the amount of \$15,840,000, was another multi-purpose financing. Approximately \$6 million of the proceeds financed construction and furnishing of a new apartment-style residence hall. The remainder was applied to refinance the remaining balance of Bond Series Three-G to achieve interest savings.

The Authority's Mortgage Revenue Bonds, Series Four-Z, were issued in February on behalf of Northwestern College of Chiropractic, in the amount of \$5,875,000. Again, the issue was partially for refunding (Series Two-K) and partially for new projects, including construction of a new Center for Clinical Education, expansion and improvement of the Bloomington Campus Clinic plus several other remodeling and improvement projects throughout the College's main campus building.

The final financing completed during the fiscal year was for a new borrower to the Authority, Concordia University of St. Paul. Series Five-A in the amount of \$1,440,000 was treated like an off-balance sheet financing by the borrower and like the similar transaction for Gustavus, was for the purpose of financing an energy retrofit throughout the University's campus. The financing was designed to be self-amortizing through energy and operating cost savings.

OTHER DEVELOPMENTS



Once again the Authority was pleased to be able to reduce its annual administrative fees to all borrowers. The recent high volume of transactions has made it possible to reduce all fees by 50% in fiscal year 1999 and again for the coming fiscal year, while maintaining basically a breakeven operating budget. Although

future reductions cannot be guaranteed, the Authority is pleased for now to be able to make its financing services even more affordable to the colleges and universities it serves.

The Authority has offered to function as dissemination agent for SEC reporting on behalf of those institutions becoming subject to SEC rule 15c2-12 (all public issues after June 30, 1995). We now provide that service to ten colleges and universities, and the number continues to grow.

The Authority's annual debt financing conference was held at the Sheraton Midway Hotel in April, 1999 and was again well received. The conference provides a chance for Authority clients, Members and finance professionals to spend a day sharing information on the latest developments and opportunities in the area of campus facilities and financing thereof.

The Authority continues to review its policies and procedures in an ongoing attempt to most effectively provide assistance to Minnesota's nonprofit colleges and universities in meeting their financing needs. The high volume of financing activity experienced in the past three fiscal years was handled smoothly, but only with the concerted efforts of the borrowers, the Authority's legal and fiscal advisors, its staff and Members, plus the various members of the public finance community who participate in the financings. We look forward to working with all those groups to continue to fulfill the goal envisioned in 1971 by leaders in the private college community and effected by the State Legislature; namely, to enable cost savings to those institutions, and ultimately to their students, through tax-exempt financing of new and improved facilities in which they can carry out their educational goals.

COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING



Augsburg College is a private, four-year, liberal arts college located in Minneapolis at the center of the Twin Cities metropolitan area. The College was founded in 1869 and is affiliated with the Evangelical Lutheran Church in America.

- ◆ Series A issued December, 1972 in the amount of \$2,200,000. The proceeds were used for the construction of a student residence facility to house approximately 312 students.
- ◆ Series Four-F1 in the amount of \$7,700,000 and Series Four-F2 in the amount of \$4,140,000, issued May, 1996. A portion of the proceeds of the bonds financed the acquisition, construction, and furnishing of the new 75,000 square foot James G. Lindell Family Library. In addition, a portion of the proceeds of the bond issue financed the acquisition and installation of various types of energy management equipment and also funded the refinancing of two previous Authority bond issues, Series Two-Z and Series Three-P.
- ◆ Series Four-W, issued September, 1998 in the amount of \$450,000. The proceeds of these notes were used for acquisition and remodeling of a house which will serve as the President's residence and as a reception center for the College.
- ◆ Series Four-Y, issued January, 1999 in the amount of \$15,840,000. The proceeds of this bond issue were used to refinance the Series Three-G Bond issue and to finance the construction and equipping of

a 145-bed, apartment-style student residence hall of approximately 66,000 square feet that includes underground parking for 60 cars on the College's campus.

Bethel College is a four-year, Christian liberal arts college offering bachelor's degrees in 57 majors. Bethel's wooded, lakeside campus is located 15 minutes from downtown St. Paul and Minneapolis in suburban Arden Hills.

- ◆ Series Four-S issued June, 1998 in the amount of \$22,865,000. The proceeds of these adjustable demand revenue bonds were used for the following: construction of a new residence hall; additions to the Fine Arts Center, composed of classrooms, offices and the expansion of chemistry laboratories; remodeling of spaces in various campus buildings; upgrade of campus wiring network and electronics infrastructure; construction of a baseball field; and parking expansion and improvements.

Carleton College is a coeducational, residential, liberal arts college located in Northfield, Minnesota. Carleton was chartered in December, 1866.

- ◆ Series T issued December, 1977 in the amount of \$2,385,000. The proceeds were used to remodel the Sayles Hill Gymnasium and two academic buildings for the humanities and social sciences departments.
- 





COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING CONTINUED

- ◆ Series Three-L1, Series Three-L2, Series Three-L3 issued October, 1992 in the amount of \$24,300,000. The proceeds of these issues were used to finance a portion of several new construction, remodeling and equipment acquisition projects, including appurtenant site improvements and a new telecommunications system.
- ◆ Series Four-N issued June, 1997 in the amount of \$24,440,000. The net proceeds of this bond issue and additional funds of the College were used to construct and furnish a recreation center and a student dining hall, install a chiller and related piping, and install an administrative and bookstore computer system. Also, a portion of the proceeds were used to finance the renovation of Gudd Hall, Goodhue Dining Hall, and Evens Hall.

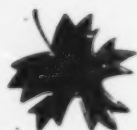
College of St. Benedict is a Catholic liberal arts college for women founded by Benedictine monastic women in 1887. Academic and social programs are carried out in cooperation with nearby Saint John's University for men allowing student access to the faculties and facilities of both campuses.

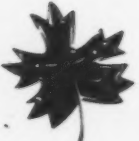
- ◆ Series J issued July, 1974 in the amount of \$370,000. The proceeds were used for the construction and furnishing of a campus center.
- ◆ Series Three-W issued March, 1994 in the amount of \$17,475,000. A portion of the proceeds of this bond issue were used to refund Series Two-Q bonds and Series Three-D bond issues. The remain-

ing portion of the proceeds financed the acquisition, construction, and furnishing of a three-story, 242-bed residence hall on a 2.35-acre site on the campus of the College. A portion of this bond issue was refinanced with Bond Series Four-T.

- ◆ Series Four-G issued July, 1996 in the amount of \$3,000,000. The net proceeds of this bond issue were used to finance the construction and furnishing of a residence hall to house approximately 120 students.
- ◆ Series Four-T, issued July, 1998 in the amount of \$25,430,000. A portion of the bond proceeds were used for the following: renovation of Mary Hall Common, and a centralized chiller plant onto the present power plant. Various renovations to existing campus buildings including the Loft Building. Expansion of East Apartments; the addition of air conditioning to the first and second floors of Gertrude Hall; and the relocation of the inter-campus bus stop, including road reconstruction and the construction of a warming house. A portion of the bonds will be used to refund a portion of the Series Three-W Bonds.

College of St. Catherine is a Catholic, liberal arts college founded in 1905 by the Sisters of St. Joseph of Carondelet. The College offers its programs on two campuses, one in St. Paul and one in Minneapolis. Although the combined resources of the two campuses allow for the development of coop-





erative programs, each campus maintains its institutional integrity.

- ◆ Series Three-M1, Series Three-M2 issued January, 1993 in the amount of \$9,205,000. The proceeds of the bonds, together with other funds available to the College, were used to provide for the construction and furnishing of a sports facility (including gym and pool) to be located on the St. Paul campus. The remaining proceeds of this bond issue were used for various remodeling and construction projects in the Arts Building, Mendel Hall and St. Joseph Hall on the St. Paul campus and in the Education Building and Old Main, both located on the Minneapolis campus.

College of St. Scholastica is a coeducational, liberal arts Benedictine college located in Duluth, Minnesota. The College was founded in 1912, and offers a variety of undergraduate and graduate programs.

- ◆ Series Two-T issued June, 1989 in the amount of \$5,105,000. The proceeds were used to construct and furnish student residence facilities; construct and equip garage stalls for campus grounds equipment; renovate and equip office and classroom space in Tower Hall; and acquire and install a new campus telephone and computer system.
- ◆ Series Three-E issued June, 1991 in the amount of \$3,400,000. Proceeds of this bond issue were used for the expansion and renovation of the Auditorium and Student Union, construction of an addition



to Tower Hall, and renovation and expansion of the College's theater facility.

- ◆ Series Three-N issued March, 1993 in the amount of \$3,695,000. Proceeds of this bond issue were used for the expansion and conversion of the campus steam plant, and an approximate 25,000 square foot addition to Somers Hall consisting of a three-story wing, housing approximately 100 students in suite-style arrangements.
- ◆ Series Four-E issued May, 1996 in the amount of \$2,000,000. The proceeds of this bond issue were used to finance the construction of an approximately 28,300 square foot addition to and related remodeling and equipping of the existing Science Building.

College of Visual Arts is a four-year, liberal arts college emphasizing the visual arts. The College is located in St. Paul.

- ◆ Series Three-X issued March, 1994 in the amount of \$350,000. The proceeds of this issue were used to finance the acquisition and improvement of a multi-unit building at 173-175 Western Avenue and 385 Selby Avenue, St. Paul, Minnesota, to be owned and operated as classroom and studio facilities by the College. Proceeds of the issue were also used to refinance a bank loan.

Concordia College - Moorhead is a four-year, liberal arts college of the Evangelical Lutheran Church in America. The College was

COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING CONTINUED

founded in 1891 and is located within the residential section of Moorhead, Minnesota.

- ◆ Series Two-Y issued July, 1990 in the amount of \$3,800,000. Proceeds of this bond issue were used for renovation of the College's field house; construction of a bell tower and improvements to the central campus mall; remodeling third and fourth floors of the Carl B. Ylvisaker Library; expansion and upgrading of the College's electrical system; installing central air conditioning to service a large section of campus; and construction of tennis courts and parking lots.
- ◆ Series Three-U issued August, 1993 in the amount of \$6,420,000. The proceeds were used to refinance Bond Series Z and Series Two-F.
- ◆ Series Four-B issued October, 1995 in the amount of \$3,300,000. The proceeds of this bond issue were used to partially finance the renovation and refurbishing of the Park Region Residence Hall and connect the Park Region Hall to the central heating and cooling system of the College.

Concordia University, St. Paul is a Christian liberal arts university, founded in 1893 and is one of 10 owned and operated by The Lutheran Church - Missouri Synod. The College's 39-acre campus is located in a St. Paul neighborhood, 10 minutes away from both downtown St. Paul and Minneapolis.

- ◆ Series Five-A issued April 23, 1999 in the amount of \$1,440,000. The proceeds of

this tax-exempt, off-balance sheet lease were used for an energy retrofit project including lighting upgrades, variable frequency drives, a new chiller, variable air volume system and steam system upgrades.

Gustavus Adolphus College is a residential, four-year, liberal arts college with a Swedish and Lutheran heritage. It was founded in 1862 and was given its name to honor the Swedish king who defended Protestantism during the Thirty Years War. The College is located in St. Peter, Minnesota.

- ◆ Series Three-V issued August, 1993 in the amount of \$622,189. This issue was a lease equipment financing to finance the acquisition and installation of telephone communication equipment, various audio-visual equipment and photocopying machines.
- ◆ Series Four-H issued August, 1996 in the amount of \$6,135,000. A portion of this bond issue was used to finance the acquisition and installation of an administrative computer system. A larger portion of the bond issue was used to refund the Series Three-B, Series Two-V and Series Two-N bond issues.
- ◆ Series Four-V issued July 8, 1998 in the amount of \$4,602,000. The proceeds of this tax-exempt, off-balance sheet lease were used to finance an energy-related equipment retrofit to generate energy and operational savings, plus adding cooling capacity to certain campus buildings.



- ◆ Series Four-X issued November, 1998 in the amount of \$11,695,000. The proceeds of this issue, in addition to capital gifts received by the college, were used to finance two projects. The first project was a major expansion of the existing dining service building to create a new Campus Center, and the second project an apartment-style student housing facility with capacity for approximately 95 students.

Hamline University, located in St. Paul, was founded in 1854 and is affiliated with the United Methodist Church. The University is composed of an undergraduate college, the Hamline University School of Law, graduate programs, and a continuing professional studies division.

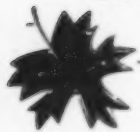
- ◆ Series Four-I issued September, 1996 in the amount of \$17,500,000. A portion of the proceeds of this issue were used to finance the construction and furnishing of an addition to the Law and Graduate School building. The bond issue proceeds also were used to partially finance the construction of the field house, site acquisition and construction of some campus parking and renovation of computer offices and equipment rooms. The proceeds of this bond issue also financed the refunding of two previous issues, Series Three-A and Series Three-K.
- ◆ Series Four-K issued April, 1997 in the amount of \$625,000. This issue was a lease financing for the acquisition and installation of telecommunications equipment to be installed on the campus of the University.

Macalester College is a four-year, coeducational, undergraduate, residential, liberal arts college located in St. Paul, Minnesota. The college was founded in 1874 and is affiliated with the Presbyterian Church (U.S.A.)

- ◆ Series Three-Z issued September, 1994 in the amount of \$6,660,000. The proceeds of this bond issue were used for the expansion of the College athletic fields and other renovations on the campus.
- ◆ Series Four-C issued November, 1995 in the amount of \$11,245,000. The net proceeds of this bond issue, together with funds of the College, were used to renovate Rice Hall and Olin Hall, to demolish the existing connection between the two Halls and to construct an enlarged connection that integrates the two Halls into a single science and math facility.
- ◆ Series Four-J issued May, 1997 in the amount of \$11,000,000. Proceeds of this bond issue were used to finance a portion of the construction of a 113-bed residence hall, the expansion of Wallace and Bigelow Halls, and the acquisition and installation of a boiler, central chiller, heating oil tank, and related infrastructure.
- ◆ Series Four-U1 in the amount of \$7,145,000 and Series Four-U2 in the amount of \$15,200,000 issued July 1, 1998. The proceeds of Series Four-U1 were used together with additional funds of the College to finance the construction of an approximately 68,000 square foot Campus Center to replace the Student Union Building constructed in 1950. Proceeds of Series Four-U2 were used to defease the Series Three-J Bonds.



COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING CONTINUED



Minneapolis College of Art & Design

was established in 1886 and is a private, fully accredited, four-year college located just south of downtown Minneapolis. The curriculum is structured with studio emphasis and a liberal arts core.

- ◆ Series Two-K issued December, 1985 in the amount of \$830,000. The proceeds were used for constructing and furnishing a bookstore, student gallery and artist work space. The project also included remodeling the main College building and purchasing equipment for the computer lab.
- ◆ Series Three-S issued July, 1993 in the amount of \$225,000. The proceeds were used to refinance a Contract for Deed in the acquisition of a four-plex apartment building at 200-204 East 26th Street and a four-plex apartment building at 206-210 East 26th Street, both to be owned and operated by the College as student housing facilities.
- ◆ Series Three-Y issued June, 1994 in the amount of \$1,612,000. The proceeds were used to finance the construction and equipping of an approximately 13,500 square foot addition to the College's main building. The addition will be used for studio and other educational purposes.

Normandale Community College is a two-year, public institution located in Bloomington and is operated under the Board of Trustees of the Minnesota State Colleges and Universities.

- ◆ Series Four-D issued September, 1995 in the amount of \$800,000. The proceeds of this bond issue were used to finance the construction of two parking lots for approximately 245 additional spaces and related roadway and site improvements on the campus of the College.

Northwestern College of Chiropractic

was founded in 1941 and offers a pre-professional and professional program for a Doctor of Chiropractic degree. Students must have completed two academic years of college coursework to gain admission to Northwestern. The College is located in Bloomington, Minnesota.

- ◆ Series Four-Z issued January 15, 1999 in the amount of \$5,875,000. A portion of the bond proceeds were used to refund Series Two-X, with net proceeds being used to finance the construction and furnishing of the DeRusha Center for Clinical Education; remodeling classrooms, faculty offices, and meeting rooms; construction of a new maintenance shop and central storage area; improvement of lighting, fire protection, and central air handling systems on the College's main campus.

Saint Johns University is a Catholic, liberal arts college for men which offers its academic and extracurricular program in conjunction with nearby College of Saint Benedict, which is a Catholic, liberal arts college for women.



Founded in 1857, Saint John's is located in Collegeville, Minnesota, and is operated by Benedictine monastic men of Saint John's Abbey.

- ◆ Series Four-L issued July, 1997 in the amount of \$29,850,000. The proceeds were used for the following: Athletic Complex; Biology Sciences Building; Science Center renovation; infrastructure improvements, Vincent Court (three new duplexes to provide housing for 36 students); renovation of Benet Hall and Luke and Wimmer Hall, and roofing replacement for various buildings. The net proceeds will also be used in part to finance (i) the current refunding Series Two-W, and (ii) the advance refunding Series Three-H.

Saint Mary's College of Minnesota,

is a four-year, coeducational, residential, liberal arts institution. It was founded in 1912 and is administered by the Christian Brothers. In addition to the original undergraduate campus located in Winona, Minnesota, Saint Mary's maintains graduate school centers in Minneapolis and Rochester.

- ◆ Series Three-Q issued June, 1993 in the amount of \$12,535,000. A portion of the net proceeds of this bond issue were used to refund Series C, Series 1976-2, Series Two-M, and Series Three-F. The remaining portion of the proceeds of the Series Three-Q bonds financed the construction and furnishing of a recreational facility on the University's Winona campus.

St. Olaf College is a four-year liberal arts college located in Northfield, Minnesota. It was founded in 1874 and is associated with the Evangelical Lutheran Church in America. Saint Olaf has academic standards and traditions rooted in the rich heritage of the region's Scandinavian pioneers.

- ◆ Series Four-R issued May, 1998 in the amount of \$15,000,000. The proceeds were used for the following: Certain costs related to the construction of Buntrock Commons Building, electrical generator, academic and administrative computers, payroll system hardware and software, classroom renovation, and, residence hall furniture.

University of St. Thomas was founded in 1885 by Archbishop John Ireland and is a coeducational, liberal arts university. The main campus is located in St. Paul and the center for graduate studies of the University is located in downtown Minneapolis.

- ◆ Series Three-C issued March, 1991 in the amount of \$24,405,000. The proceeds of this bond issue were used for the acquisition of land and construction of an educational facility, which is the principal structure of the University's downtown Minneapolis campus.
- ◆ Series Three-I issued April, 1992 in the amount of \$10,200,000. The net proceeds of the bond issue were used for the purchase and installation of a new telecommunication system; the purchase, replacement and upgrading of two of the three boilers at the St. Paul campus; and



COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING CONTINUED

an expansion of the physical plant headquarters facility on the St. Paul campus.

- ◆ Series Three-R1 and Three-R2 issued June, 1993 in the amount of \$46,000,000. The Series Three-R1 Bonds for \$22,985,000 were issued to refund outstanding maturities of prior bond issues: Series U, Series X, Series Two-I, Series Two-O, and Series Two-S. The Series Three-R2 Bonds for \$23,015,000 were issued to refund a portion of the Authority's Mortgage Revenue Bonds, Series Three-C issued on behalf of the University. Not included in the refunding are two term bonds due September 1, 2015 and September 1, 2016.

- ◆ Series Four-A1 issued March, 1996 in the amount of \$11,645,000. The proceeds of this issue were used to partially finance the construction and equipping of an approximately 195,000 square foot science and engineering center on the St. Paul campus of the University. The project will be home to the undergraduate department of science, math, computing science and engineering, and the Graduate School of Applied Science and Engineering.

- ◆ Series Four-M issued July, 1997 in the amount of \$21,680,000. The proceeds of this bond issue were used together with proceeds of the Series Four-O Variable Rate Bonds and University funds to finance the construction, furnishing and equipping of a new approximately 345-bed residence hall, an approximately 339-stall parking ramp beneath the residence hall,

69 surface parking stalls adjacent to the residence hall, a commons building connecting Brady Hall and Dowling Hall for administrative and office space and recreational facilities and related improvements to connecting areas of Brady and Dowling Halls, a skyway connection between the commons building and the residence hall and related site improvements.

- ◆ Series Four-O issued September, 1997 in the amount of \$10,800,000. The proceeds of this bond issue were used together with proceeds of the Series Four-M bond issue and University funds to finance the construction, furnishing and equipping of the residence hall, and parking ramp as described in Series Four-M. A portion of the proceeds of the Bonds, together with University funds, were used to finance the current refunding of the Variable Rate Demand Revenue Bonds, Series Four-A2.
- ◆ Series Four-P issued December, 1997 in the amount of \$15,435,000. The proceeds were used to finance the acquisition, construction and equipping of Opus Hall, an approximately 98,200 square foot facility to be used for a library, offices, and classrooms as well as a skyway connection to the University's existing facility on its Minneapolis campus.

Vermilion Community College located in Ely, Minnesota, was established in 1922 as Ely Junior College and became a part of the Minnesota statewide system of community colleges in 1964. The College

offers one- and two-year degrees in several programs and emphasizes career training in natural resource and environmental programs.

- ◆ Series Two-P issued November, 1987 in the amount of \$1,300,000. The proceeds were used to construct and furnish a residence hall on the College campus. The residence hall will accommodate approximately 144 students.
- ◆ Series Three-T issued July, 1993 in the amount of \$950,000. The proceeds were used to finance the acquisition, installation, and equipping of eleven manufactured duplex housing units, including related site improvements. These units will house approximately 80 students on the campus of the College.

William Mitchell College of Law is a private, independent law school. It is accredited by the American Bar Association and is a member of the American Association of Law Schools. William Mitchell was created in 1958 through successive mergers of several Twin Cities law schools. In 1976, the College moved to its present campus on Summit Avenue in St. Paul.

- ◆ Series Three-O issued June, 1993 in the amount of \$2,000,000. The net proceeds of the bonds were used to refinance the Series Two-R bonds.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Executive Director and Members of the Minnesota Higher Education Facilities Authority:

In our opinion, the accompanying balance sheet and the related statements of revenues, expenses and changes in fund balances and of cash flows present fairly, in all material respects, the financial position of Minnesota Higher Education Facilities Authority at June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
September 10, 1999

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MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEET

JUNE 30, 1999 AND 1998

ASSETS

Cash and cash equivalents	
Investments, at market	
Administrative fees receivable	
Accrued interest receivable	
Financing agreements:	
Rentals receivable, financing leases	
Loans receivable	
Reserve deposits to General Bond Reserve	
Furniture and equipment (less accumulated depreciation of \$67,731 in 1999 and \$66,805 in 1998)	
Other	
Total assets	

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable and other accrued liabilities	
Unearned administrative fee income	
Deposits	
Revenue bonds and other debt obligations (less unamortized discount of \$5,066,462 in 1999 and \$4,701,172 in 1998)	
Accrued interest payable	
Reserve deposits from restricted assets of General Operating Fund	
Total liabilities	
Fund balances:	
Unappropriated	
Appropriated	
Total liabilities and fund balances	

The accompanying notes are an integral part of the financial statements.



GENERAL OPERATING FUND				GENERAL BOND RESERVE FUND	
Unrestricted		Restricted			
1999	1998	1999	1998	1999	1998
\$ 379,882	\$ 820,925	\$ 24,415,358	\$ 61,768,847	\$ 202,399	\$ 145,026
1,521,832	1,260,729	42,923,452	48,291,019	200,250	237,182
14,290					
18,273	23,494	416,812	1,240,239	4,475	4,475
		8,975,174	3,429,399		
		336,119,433	263,853,735		
		68,744	68,744		
16,862	16,871				
575	3,430				
<u>\$1,951,714</u>	<u>\$ 2,125,449</u>	<u>\$ 412,918,973</u>	<u>\$ 378,651,983</u>	<u>\$ 407,124</u>	<u>\$ 386,683</u>
56,073	34,059				
16,117	223,300				
		407,767,782	374,194,910		
		5,151,191	4,457,073	68,744	68,744
				68,744	68,744
72,190	257,359	412,918,973	378,651,983		
1,879,524	1,868,090			338,380	317,939
<u>\$1,951,714</u>	<u>\$ 2,125,449</u>	<u>\$ 412,918,973</u>	<u>\$ 378,651,983</u>	<u>\$ 407,124</u>	<u>\$ 386,683</u>



MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

Revenues

Annual administrative fees

Interest income

Realized and unrealized investment (losses) gains

Other income

Revenues from institutions to finance interest expense

Total revenues

Expenses

Payroll, payroll taxes and employee benefits

Rent expense

Legal, audit and consulting expense

Other general and administrative expenses

Interest expense and bond discount amortization

Total expenses

Excess of revenues over expenses

Fund balances at beginning of year

Distribution of pro rata share of fund earnings upon final redemption of Series H, R, W and Y in
fiscal 1998

Fund balances at end of year

The accompanying notes are an integral part of the financial statements.



GENERAL OPERATING FUND				GENERAL BOND RESERVE FUND	
Unrestricted		Restricted			
1999	1998	1999	1998	1999	1998
\$ 270,066	\$ 289,721				
109,660	98,466	\$ 5,268,079	\$ 3,896,473	\$ 21,373	\$ 48,885
(40,559)	22,109	(131,112)	942,657	(932)	2,774
1,166	1,200				
		16,603,969	14,330,033		
340,327	411,586	21,740,936	19,169,163	20,441	51,659
209,370	201,963				
40,224	38,649				
36,420	28,795				
42,879	42,615				
		21,740,936	19,169,163		
328,893	312,022	21,740,936	19,169,163	—	—
11,434	99,564			20,441	51,659
1,868,090	1,768,526			317,939	802,463
					(536,183)
\$1,879,524	\$1,868,090	—	—	\$ 338,380	\$ 317,939



MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

STATEMENT OF CASH FLOWS

(Decrease) Increase in Cash and Cash Equivalents for the years ended June 30, 1999 and 1998

Cash flows from operating activities

Excess of revenues over expenses

Adjustments to reconcile excess of revenues over expenses to net cash flows (used in) provided by operating activities

Noncash items

Unrealized investment losses (gains)

Depreciation

Gain on sale of furniture and equipment

Amortization of bond discount

Changes in assets and liabilities

Administrative fees receivable

Accrued interest receivable

Other assets

Accounts payable and other accrued liabilities

Unearned administrative fees

Deposits

Nonoperating items

Interest income and realized investment gains

Interest expense

Other operating cash flows

Repayment of General Bond Reserve deposits

Collection of financing agreements receivable

Funds disbursed to institutions

Net cash (used in) provided by operating activities

Cash flows from financing activities

Purchases of furniture and equipment

Proceeds from the sale of furniture and equipment

Proceeds from revenue bonds and other debt issues

Repayment of revenue bonds and other debt principal

Interest payments

Net cash (used in) provided by financing activities

Cash flows from investing activities

Proceeds from sales and maturities of investments

Purchase of investments

Distribution of pro rata share of fund earnings on final redemption of bonds

Interest income and realized investment gains

Net cash (used in) provided by investing activities

Net (decrease) increase in cash and cash equivalents

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

The accompanying notes are an integral part of the financial statements.



GENERAL OPERATING FUND				GENERAL BOND RESERVE FUND	
Unrestricted		Restricted			
1999	1998	1999	1998	1999	1998
\$ 11,434	\$ 99,564			\$ 20,441	\$ 51,659
39,063	(22,199)	\$ 179,341	\$ (505,614)	932	(827)
5,259	5,914				
(160)	(200)	681,646	449,393		
(14,290)					
5,221	(390)	823,427	(643,221)		9,069
2,855	(1,409)				
22,014	(1,663)				
16,117	(28,909)				
(223,300)	223,300				
(108,164)	(98,466)	(5,316,308)	(4,333,516)	(21,373)	(50,832)
		21,039,290	18,719,770		
			151,304		(151,304)
		86,510,913	26,666,312		
		(124,122,386)	(60,343,004)		
(243,951)	175,542	60,384,077	(19,838,376)		(142,235)
(5,250)	(6,577)				
160	200				
		86,630,061	113,499,763		
		(53,738,835)	(25,048,515)		
		(20,365,172)	(17,847,876)		
(5,090)	(6,377)	12,526,054	70,603,372		
\$ 655,000	\$ 155,000	\$ 52,692,756	\$ 16,387,717	\$ 36,000	\$ 755,111
(955,166)	(155,000)	(47,504,530)	(25,741,716)		(211,039)
108,164	98,466	5,316,308	4,333,516	21,373	50,832
(192,002)	98,466	10,504,534	(5,020,483)	57,373	58,721
(441,043)	267,631	(37,353,489)	45,944,313	57,373	(83,514)
820,925	553,294	61,768,847	16,024,534	145,026	228,540
\$ 379,882	\$ 820,925	\$ 24,415,358	\$ 61,768,847	\$ 202,399	\$ 145,026



MINNESOTA HIGHER EDUCATION NOTES TO FINANCIAL STATEMENTS



1. AUTHORIZING LEGISLATION AND FUNDS:

Authorizing Legislation:

The Minnesota Higher Education Facilities Authority (the Authority) is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. During the year ended June 30, 1999 and 1998, the Authority was authorized to have a maximum of \$500 million of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

Funds:

The following describes the funds maintained by the Authority, all of which conform with the authorizing legislation, bond resolutions and trust indentures:

General Operating Fund:

The unrestricted revenues of the General Operating Fund consist principally of annual administrative fees paid by the participating institutions. While the annual administrative fee rate for new bond issues has changed periodically, the fee rate remains constant for the life of the bonds, with the exception of fee reductions for operating reserve stabilization purposes. The annual fee structure is as follows: Bonds issued from December 1971 to September 1975 are charged 125% of original balance of the bonds; bonds issued from October 1975 to December 1989 are charged 2% of the original balance of the bonds; bonds issued from January 1990 to present are charged 125% of the outstanding balance of the

bonds. In an effort to stabilize its unrestricted General Operating Fund balance, the Authority periodically evaluates the administrative fees charged to participating institutions. For the years ended June 30, 1999 and 1998, the Authority required participating institutions to pay 50% and 60%, respectively, of the contractual administrative fees. In May 1999, the Authority determined that participating institutions will be required to pay 50% of the contractual administrative fees during the year ended June 30, 2000.

General and administrative expenses of the Authority are paid from unrestricted assets. Assets arising from financing activities, including debt service reserves and assets in the General Bond Reserve Fund, are appropriated for the purposes specified in the trust indentures and cannot be used to pay the operating expenses of the Authority.

The restricted assets of the General Operating Fund consist of capitalized financing leases and loans receivable. Separate trust accounts are maintained to account for the proceeds of each bond issue, to receive rental and loan payments, and to accumulate the required reserves and sinking funds stipulated in the related trust indentures.

Proceeds of the bonds are held by trustees and invested in specified securities until withdrawn for payment of construction costs or debt service.

Under the terms of each net lease or loan agreement, the participating institution leases the project from the Authority or makes loan repayments over the life of the bond issue.



The agreements define rental and loan payments as the amount required to provide sufficient revenues to fund debt service, principal redemptions, and other related expenses.

Rental and loan payments to be received from the participating institutions are reduced by the amount of income earned on the investments in the required reserves (other than the General Bond Reserve) and sinking funds stipulated in the trust indentures.

Upon retirement of a bond issue, any remaining assets in the related trust accounts are distributed to the participating institution.

General Bond Reserve Fund

A specified portion of the proceeds from certain issuances of Authority bonds is deposited in the General Bond Reserve Fund. Monies in the fund are invested principally in United States obligations and Federated Trust accounts. The investments and the earnings thereon are pledged as collateral for repayment of all related revenue bonds outstanding. Upon repayment of its bonds, a participating institution receives a distribution of its share of the fund consisting of the institution's original deposit adjusted for a proportionate share of fund earnings and charges for collateral payments, if any, to date. The distribution is shown as a reduction in fund balance. The Authority functions as a custodian for General Bond Reserve Fund deposits; the institutions involved retain the right to reimbursement of deposits and interest thereon (provided all terms of the rental or loan agreement have been met) as well as responsibility for losses resulting from collateral payments made.

2. ACCOUNTING POLICIES:

The following is a summary of the significant accounting policies applied in the preparation of these financial statements.

Basis of Accounting:

The Authority follows the accrual basis of accounting.

Investments:

Investments are stated at quoted market value. Changes in quoted market value are recorded as unrealized gains and losses in the period of the change. Realized gains and losses on sales of investments are determined using the specific identification method. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Bond Discounts

Discounts on bond obligations are amortized under the interest method over the term of the related bond series.

Furniture and Equipment

Office furniture and equipment is stated at cost and depreciated on the straight-line method over the estimated useful lives of the assets, generally five and ten years.

Financing Agreements:

Lease agreements have been accounted for as direct financing leases in accordance with Statement No. 13 of the Financial

NOTES TO FINANCIAL STATEMENTS CONTINUED



Accounting Standards Board (FASB). The net investment is comprised of the total lease payments receivable under the contract, less unearned income. The unearned finance income is recognized as revenue over the lease term, as interest expense is recognized on the related bonds payable. This method approximates a constant rate of return on the net investment in the contract. Since the participating institutions have the option to acquire the project from the Authority at the expiration of certain leases for \$500, the estimated residual value of the property under lease at the end of the lease term is not included in the net investment. Loan agreements are accounted for substantially the same as lease agreements.

Statement of Cash Flows:

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Arbitrage Regulations:

The tax-exempt bonds issued by the Authority are subject to the 1986 Tax Reform Act regulations relating to arbitrage reporting and rebate. Any earnings in excess of the bond yield must be remitted to the United States Government not more than five years following the issue date of the bonds. These regulations relate only to bonds issued subsequent to December 31, 1985. At June 30, 1999 and 1998, amounts rebatable relating to such excess earnings were not significant.



Income Taxes:

The Authority is an agency of the State of Minnesota and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Concentration of Credit Risk:

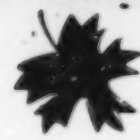
Cash equivalents and investments totaling \$69,643,173 at June 30, 1999, are concentrated in two financial institutions. Investments consist of U.S. Government securities, federated trust accounts, investment agreements and deposits (see Note 3). The Authority's investment viability and return is dependent on, among other factors, the financial results and viability of the underlying issuers.

3. INVESTMENTS:

Investments include government bonds, notes, bills, mortgages and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentality's or organizations created by an act of Congress.

In addition, for participating institutions meeting certain criteria, the bond proceeds may be invested in general obligation or revenue bonds of any state or any political subdivision provided the general obligation bonds are rated AA or better for states and AAA or better for political subdivisions, and revenue bonds are rated AAA or better for both. Savings accounts, time deposits and certificates of deposits with commercial banks, savings and loans and mutual savings banks are allowed, provided they are fully insured by a federal agency. In some cases, invest-





ment agreements with corporations rated AA by Standard & Poor's or AA by Moody's are allowed as well as repurchase agreements fully collateralized by United States Government securities. Also allowed is commercial paper maturing in 365 days or less and rated within the top two categories without gradation by either Standard & Poor's or Moody's. Investments are held by independent trustees in the Authority's name (GASB No. 3 Credit Risk Category 1).

At June 30, 1999 and 1998, investments recorded by the Authority consisted primarily of U.S. Government and agencies securities.

Net realized gains were \$46,733 and \$438,990 for the years ended June 30, 1999 and 1998, respectively.



4. FINANCING AGREEMENTS:

The annual payments required under financing agreements are sufficient to fund debt service, principal redemptions, and other related expenses. The term of each agreement corresponds to the maturity of the related bond issue. All agreements through Series 2F were recorded as financing leases, and commencing with Series 2G have been recorded as loans receivable, except for Series 3-V, Series 4-K and Series 5-A, which are financing leases.

Total minimum payments to be received consist of those from the participating institutions and from income earned on the investments in the required reserves and sinking funds as stipulated in the trust indentures. Assets held in trust consist primarily of bond proceeds used to fund debt service reserves and construction accounts.

At June 30, 1999, future minimum payments scheduled to be received under financing agreements to support aggregate bond payments is as follows:

Year Ended June 30	Principal	Interest	Total
2000	\$ 13,852,702	\$ 21,282,795	\$ 35,135,497
2001	15,816,011	20,299,468	36,115,479
2002	14,429,317	19,537,173	33,666,490
2003	16,752,920	18,781,692	35,534,612
2004	15,363,938	17,985,079	33,349,017
Thereafter	336,919,356	174,662,360	511,581,716
	<u>\$ 412,834,244</u>	<u>\$ 272,548,567</u>	<u>\$ 685,382,811</u>



NOTES TO FINANCIAL STATEMENTS CONTINUED



5. REVENUE BONDS AND OTHER DEBT OBLIGATIONS:

Revenue bonds payable at June 30, 1999 consist of the following serial and term bonds (the Series 3-S, Series 3-X and Series 3-Y obligations are payable pursuant to promissory notes, and the Series 3-V, Series 4-K and Series 5-A are payable pursuant to capital lease agreements):

Original Principal Amount		Interest Rates
\$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%
370,000	Series J (College of St. Benedict)	6.3% to 6.8%
2,385,000	Series T (Carleton College)	5.625%
830,000	Series 2-K (Minneapolis College of Art/Design)	6.5% to 8.75%
1,300,000	Series 2-P (Vermilion Community College)	6.75% to 9.0%
5,105,000	Series 2-T (College of St. Scholastica)	6.6% to 7.25%
3,800,000	Series 2-Y (Concordia College)	6.4% to 7.1%
24,405,000	Series 3-C (University of St. Thomas)	5.5% to 7.125%
3,400,000	Series 3-E (College of St. Scholastica)	5.2% to 7.2%
10,200,000	Series 3-I (University of St. Thomas)	5.4% to 6.2%
24,300,000	Series 3-L (Carleton College)	2.6% to 5.5%
9,205,000	Series 3-M (College of St. Catherine)	2.8% to 6.0%
3,695,000	Series 3-N (College of St. Scholastica)	3.25% to 6.2%
2,000,000	Series 3-O (William Mitchell College of Law)	Variable
12,535,000	Series 3-Q (St. Mary's University)	3.25% to 6.15%
46,000,000	Series 3-R (University of St. Thomas)	2.5% to 5.6%
225,000	Series 3-S (Minneapolis College of Art/Design)	6.18%
950,000	Series 3-T (Vermilion Community College)	6.0%
6,420,000	Series 3-U (Concordia College)	3.0% to 4.9%
622,189	Series 3-V (Gustavus Adolphus College)	5.18%
17,475,000	Series 3-W (College of St. Benedict)	3.6% to 6.375%
350,000	Series 3-X (College of Associated Arts)	6.36%
1,612,000	Series 3-Y (Minneapolis College of Art/Design)	6.33%
6,660,000	Series 3-Z (Macalester College)	Variable
11,645,000	Series 4-A1 (University of St. Thomas)	3.90% to 5.625%
3,300,000	Series 4-B (Concordia College)	4.75% to 5.50%
11,245,000	Series 4-C (Macalester College)	4.00% to 5.55%
800,000	Series 4-D (Normandale Community College)	5.871%
2,000,000	Series 4-E (College of St. Scholastica)	4.50% to 5.35%
7,700,000	Series 4-F1 (Augsburg College)	4.00% to 6.25%
4,140,000	Series 4-F2 (Augsburg College)	5.75%
3,000,000	Series 4-G (College of St. Benedict)	4.15% to 6.10%
6,135,000	Series 4-H (Gustavus Adolphus College)	4.70% to 5.25%
17,500,000	Series 4-I (Hamline University of Minnesota)	4.60% to 6.00%
11,000,000	Series 4-J (Macalester College)	3.90% to 5.55%





Maturity Dates	Principal Outstanding	Unamortized Discount	Less Unamortized Discount
Dec. 1, 1975 to Dec. 1, 2012	\$ 1,515,000	\$ (6,279)	\$ 1,508,721
July 1, 1976 to July 1, 2002	130,000	(374)	129,626
Mar. 1, 2007	2,025,000		2,025,000
Feb. 1, 1988 to Feb. 1, 2001	185,000	(459)	184,541
Jan. 1, 1990 to Jan. 1, 2007	835,000	(7,798)	827,202
Dec. 1, 1990 to Dec. 1, 2014	3,800,000	(38,051)	3,761,949
Oct. 1, 1992 to Oct. 1, 2000	1,330,000	(2,265)	1,327,735
Sep. 1, 1993 to Sep. 1, 2016	3,560,000	(30,008)	3,529,992
Dec. 1, 1993 to Dec. 1, 2011	2,665,000	(26,642)	2,638,358
Oct. 1, 1993 to Oct. 1, 2003	5,625,000	(22,074)	5,602,926
Nov. 1, 1993 to Nov. 1, 2012	21,425,000	(41,939)	21,383,061
Oct. 1, 1993 to Oct. 1, 2010	4,680,000	(36,912)	4,643,088
Dec. 1, 1994 to Dec. 1, 2012	2,705,000	(26,917)	2,678,083
Aug. 1, 2003	600,000	(6,014)	593,986
Oct. 1, 1994 to Oct. 1, 2023	11,595,000	(133,642)	11,461,358
Oct. 1, 1993 to Oct. 1, 2015	34,160,000	(370,417)	33,789,583
Jan. 1, 1994 to July 1, 2005	141,848		141,848
Jan. 1, 1995 to Jan. 1, 2013	790,000		790,000
Oct. 1, 1994 to Oct. 1, 2002	3,550,000	(11,992)	3,538,008
Feb. 4, 1994 to Aug. 4, 2000	152,681		152,681
Mar. 1, 1995 to Mar. 1, 2020	6,220,000	(103,061)	6,116,939
June 25, 1994 to Mar. 25, 2009	262,766		262,766
Dec. 1, 1994 to June 1, 2006	1,228,834		1,228,834
Mar. 1, 2024	6,660,000	(16,835)	6,643,165
Oct. 1, 1997 to Oct. 1, 2021	11,545,000	(177,413)	11,367,587
Oct. 1, 1998 to Oct. 1, 2010	3,150,000	(31,628)	3,118,372
Mar. 1, 1997 to Mar. 1, 2016	10,165,000	(99,476)	10,065,524
Mar. 1, 1996 to Sep. 1, 2000	264,736		264,736
Mar. 1, 1997 to Mar. 1, 2006	1,500,000	(10,010)	1,489,990
May 1, 1997 to May 1, 2023	7,580,000	(160,545)	7,419,455
May 1, 2026	1,595,000	(47,187)	1,547,813
Mar. 1, 1997 to Mar. 1, 2011	2,675,000	(37,952)	2,637,048
Oct. 1, 1996 to Oct. 1, 2010	4,950,000	(45,367)	4,904,633
Oct. 1, 1998 to Oct. 1, 2016	16,945,000	(230,564)	16,714,436
Mar. 1, 1998 to Mar. 1, 2017	10,370,000	(152,505)	10,217,495



NOTES TO FINANCIAL STATEMENTS CONTINUED

5. REVENUE BONDS AND OTHER DEBT OBLIGATIONS CONTINUED:

Original Principal Amount		Interest Rates
\$ 625,000	Series 4-K (Hamline University of Minnesota)	5.82%
29,850,000	Series 4-L (St. John's University)	3.9% to 5.50%
21,680,000	Series 4-M (University of St. Thomas)	4.20% to 5.375%
24,440,000	Series 4-N (Carleton College)	5.00% to 6.00%
10,800,000	Series 4-O (University of St. Thomas)	Variable
15,435,000	Series 4-P (University of St. Thomas)	4.05% to 5.25%
15,000,000	Series 4-R (St. Olaf College)	Variable
22,865,000	Series 4-S (Bethel College & Seminary)	Variable
25,430,000	Series 4-T (College of St. Benedict)	4.5% to 5.35%
7,145,000	Series 4-U1 (Macalester College)	Variable
15,200,000	Series 4-U2 (Macalester College)	Variable
4,602,000	Series 4-V (Gustavus Adolphus College)	4.90%
450,000	Series 4-W (Augsburg College)	5.98%
11,695,000	Series 4-X (Gustavus Adolphus College)	Variable
15,840,000	Series 4-Y (Augsburg College)	3.6% to 5.05%
5,875,000	Series 4-Z (Northwestern College of Chiropractic)	3.6% to 4.875%
1,440,000	Series 5-A (Concordia University)	4.625% to 5.25%
<u>\$492,881,189</u>		

5. REVENUE BONDS AND OTHER DEBT OBLIGATIONS, CONTINUED:

Revenue bonds payable at June 30, 1998 consist of the following serial and term bonds (the Series 3-S, Series 3-X and Series 3-Y obligations are payable pursuant to promissory notes, and the Series 3-V are payable pursuant to capital lease agreements):

Original Principal Amount		Interest Rates
\$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%
370,000	Series J (College of St. Benedict)	6.3% to 6.8%
2,385,000	Series T (Carleton College)	5.625%
830,000	Series 2-K (Minneapolis College of Art/Design)	6.5% to 8.75%
1,300,000	Series 2-P (Vermilion Community College)	6.75% to 9.0%
5,105,000	Series 2-T (College of St. Scholastica)	6.6% to 7.25%
1,680,000	Series 2-U (College of St. Benedict)	6.1% to 6.9%
5,155,000	Series 2-X (Northwestern College of Chiropractic)	7.0% to 8.5%
3,800,000	Series 2-Y (Concordia College)	6.4% to 7.1%
24,405,000	Series 3-C (University of St. Thomas)	5.5% to 7.125%



Maturity Dates	Principal Outstanding	Unamortized Discount	Less Unamortized Discount
Sep. 1, 1997 to June 1, 2004	\$ 474,189		\$ 474,189
Oct. 1, 1998 to Oct. 1, 2012	29,205,000	\$ (526,042)	28,678,958
Apr. 1, 1999 to Apr. 1, 2012	24,440,000	(268,529)	24,171,471
Nov. 1, 1999 to Nov. 1, 2018	21,185,000	(376,693)	20,808,307
Oct. 1, 2021	10,800,000	(50,062)	10,749,938
Apr. 1, 1999 to Apr. 1, 2012	15,360,000	(227,599)	15,132,401
Apr. 1, 2000 to Apr. 2029	15,000,000	(189,064)	14,810,936
Apr. 1, 2028	22,865,000	(563,304)	22,301,696
Mar. 1, 1999 to Mar. 1, 2020	25,175,000	(286,106)	24,888,894
Mar. 1, 1999 to Mar. 1, 2022	7,145,000	(71,536)	7,073,464
Mar. 1, 1999 to Mar. 1, 2022	14,710,000	(157,640)	14,552,360
Feb. 15, 1999 to Feb. 15, 2009	4,602,000		4,602,000
Mar. 25, 1999 to Sep. 25, 2015	442,190		442,190
Oct. 1, 2000 to Oct. 1, 2024	11,695,000	(135,390)	11,559,610
Oct. 1, 1999 to Oct. 1, 2013	15,840,000	(241,776)	15,598,224
Oct. 1, 1999 to Oct. 1, 2009	5,875,000	(98,395)	5,776,605
Oct. 25, 1999 to April 25, 2014	1,440,000		1,440,000
	<u>\$ 412,834,244</u>	<u>\$ (5,066,462)</u>	<u>\$ 407,767,782</u>

Maturity Dates	Principal Outstanding	Unamortized Discount	Less Unamortized Discount
Dec. 1, 1975 to Dec. 1, 2012	\$ 1,575,000	\$ (7,068)	\$ 1,567,932
July 1, 1976 to July 1, 2002	150,000	(576)	149,424
Mar. 1, 2007	2,145,000		2,145,000
Feb. 1, 1988 to Feb. 1, 2001	265,000	(991)	264,009
Jan. 1, 1990 to Jan. 1, 2007	895,000	(9,445)	885,555
Dec. 1, 1990 to Dec. 1, 2014	3,920,000	(42,077)	3,877,923
Sep. 1, 1990 to Sep. 1, 1999	730,000	(1,051)	728,949
Oct. 1, 1992 to Oct. 1, 2005	3,650,000		3,650,000
Oct. 1, 1992 to Oct. 1, 2000	1,755,000	(4,952)	1,750,048
Sep. 1, 1993 to Sep. 1, 2016	3,560,000	(31,807)	3,528,193



NOTES TO FINANCIAL STATEMENTS CONTINUED

5. REVENUE BONDS AND OTHER DEBT OBLIGATIONS CONTINUED:

Original Principal Amount		Interest Rates
\$ 3,400,000	Series 3-E (College of St. Scholastica)	5.2% to 7.2%
9,645,000	Series 3-G (Augsburg College)	5.0% to 6.5%
10,200,000	Series 3-I (University of St. Thomas)	5.4% to 6.2%
15,670,000	Series 3-J (Macalester College)	5.1% to 6.4%
24,300,000	Series 3-L (Carleton College)	2.6% to 5.5%
9,205,000	Series 3-M (College of St. Catherine)	2.8% to 6.0%
3,695,000	Series 3-N (College of St. Scholastica)	3.25% to 6.2%
2,000,000	Series 3-O (William Mitchell College of Law)	Variable ✓
12,535,000	Series 3-Q (St. Mary's University)	3.25% to 6.15%
46,000,000	Series 3-R (University of St. Thomas)	2.5% to 5.6%
225,000	Series 3-S (Minneapolis College of Art/Design)	6.18%
950,000	Series 3-T (Vermilion Community College)	6.0%
6,420,000	Series 3-U (Concordia College)	3.0% to 4.9%
622,189	Series 3-V (Gustavus Adolphus College)	5.18%
17,475,000	Series 3-W (College of St. Benedict)	3.6% to 6.375%
350,000	Series 3-X (College of Associated Arts)	6.35%
1,612,000	Series 3-Y (Minneapolis College of Art/Design)	6.33%
6,660,000	Series 3-Z (Macalester College)	Variable ✓
11,645,000	Series 4-A1 (University of St. Thomas)	3.90% to 5.625%
3,300,000	Series 4-B (Concordia College)	4.75% to 5.50%
11,245,000	Series 4-C (Macalester College)	4.00% to 5.55%
800,000	Series 4-D (Normandale Community College)	5.871%
2,000,000	Series 4-E (College of St. Scholastica)	4.50% to 5.35%
7,700,000	Series 4-F1 (Augsburg College)	4.00% to 6.25%
4,140,000	Series 4-F2 (Augsburg College)	5.75%
3,000,000	Series 4-G (College of St. Benedict)	4.15% to 6.10%
6,135,000	Series 4-H (Gustavus Adolphus College)	4.70% to 5.25%
17,500,000	Series 4-I (Hamline University of Minnesota)	4.60% to 6.00%
11,000,000	Series 4-J (Macalester College)	3.90% to 5.55%
625,000	Series 4-K (Hamline University of Minnesota)	5.82%
29,850,000	Series 4-L (St. John's University)	3.9% to 5.50%
21,680,000	Series 4-M (University of St. Thomas)	4.20% to 5.375%
24,440,000	Series 4-N (Carleton College)	5.00% to 6.00%
10,800,000	Series 4-O (University of St. Thomas)	Variable ✓
15,435,000	Series 4-P (University of St. Thomas)	4.05% to 5.25%
15,000,000	Series 4-R (St. Olaf College)	Variable
22,865,000	Series 4-S (Bethel College & Seminary)	Variable

\$437,354,189





Maturity Dates	Principal Outstanding	Unamortized Discount	Less Unamortized Discount
Dec. 1, 1993 to Dec. 1, 2011	\$ 2,790,000	\$ (30,272)	\$ 2,759,728
Jan. 1, 1995 to Jan. 1, 2017	8,765,000	(34,833)	8,730,167
Oct. 1, 1993 to Oct. 1, 2003	6,575,000	(31,707)	6,543,293
Mar. 1, 1997 to Mar. 1, 2022	15,290,000	(87,819)	15,202,181
Nov. 1, 1993 to Nov. 1, 2012	21,950,000	(47,812)	21,902,188
Oct. 1, 1993 to Oct. 1, 2010	5,965,000	(42,959)	5,922,041
Dec. 1, 1994 to Dec. 1, 2012	2,925,000	(30,844)	2,894,156
Aug. 1, 2003	700,000	(7,489)	692,511
Oct. 1, 1994 to Oct. 1, 2023	11,800,000	(142,325)	11,657,675
Oct. 1, 1993 to Oct. 1, 2015	36,435,000	(417,111)	36,017,889
Jan. 1, 1994 to July 1, 2005	159,108		159,108
Jan. 1, 1995 to Jan. 1, 2013	825,000		825,000
Oct. 1, 1994 to Oct. 1, 2002	4,175,000	(17,896)	4,157,104
Feb. 4, 1994 to Aug. 4, 2000	248,150		248,150
Mar. 1, 1995 to Mar. 1, 2020	16,890,000	(269,493)	16,620,507
June 25, 1994 to Mar. 25, 2009	281,679		281,679
Dec. 1, 1994 to June 1, 2006	1,364,593		1,364,593
Mar. 1, 2024	6,660,000	(17,483)	6,642,517
Oct. 1, 1997 to Oct. 1, 2021	11,595,000	(189,717)	11,405,283
Oct. 1, 1998 to Oct. 1, 2010	3,300,000	(36,281)	3,263,719
Mar. 1, 1997 to Mar. 1, 2016	10,540,000	(109,546)	10,430,454
Mar. 1, 1996 to Sep. 1, 2000	428,884		428,884
Mar. 1, 1997 to Mar. 1, 2006	1,700,000	(11,110)	1,688,890
May 1, 1997 to May 1, 2023	7,620,000	(168,657)	7,451,343
May 1, 2026	4,140,000	(48,301)	4,091,699
Mar. 1, 1997 to Mar. 1, 2011	2,770,000	(41,716)	2,728,284
Oct. 1, 1996 to Oct. 1, 2010	5,515,000	(54,241)	5,460,759
Oct. 1, 1998 to Oct. 1, 2016	17,500,000	(252,587)	17,247,413
Mar. 1, 1998 to Mar. 1, 2017	10,720,000	(166,864)	10,553,136
Sep. 1, 1997 to June 1, 2004	553,668		553,668
Oct. 1, 1998 to Oct. 1, 2012	29,850,000	(562,502)	29,287,498
Apr. 1, 1999 to Apr. 1, 2012	21,680,000	(403,423)	21,276,577
Nov. 1, 1999 to Nov. 1, 2018	24,440,000	(291,908)	24,148,092
Oct. 1, 2021	10,800,000	(52,312)	10,747,688
Apr. 1, 1999 to Apr. 1, 2012	15,435,000	(242,423)	15,192,577
Apr. 1, 2000 to Apr. 2029	15,000,000	(198,909)	14,801,091
Apr. 1, 2028	22,865,000	(594,665)	22,270,335
	<u>\$ 378,896,082</u>	<u>\$ (4,701,172)</u>	<u>\$ 374,194,910</u>



NOTES TO FINANCIAL STATEMENTS CONTINUED

5. REVENUE BONDS AND OTHER DEBT OBLIGATIONS, CONTINUED:

Aggregate principal and interest due on the revenue bonds are equal to the future minimum payments to be received under financing agreements as shown in Note 4. Under the terms of the related trust indentures, each bond issue is collateralized by:

- All assets financed by the bond issue;
- All rights and revenues (except Authority fees) under the financing agreement between the Authority and the institution; and
- Investments pledged as collateral by the institutions and not included in restricted assets of the General Operating Fund, with a market value not less than \$3,058,070 and \$298,740 for Series T and Series 2K, respectively.

During recent fiscal years, the Authority issued various bond series for the purpose of refunding previous bond series. A portion of the proceeds of the refunded bond issues was deposited with a trustee to pay principal and interest on the redemption of certain bond series. The remaining proceeds were deposited with a trustee with instructions to purchase certain investments such that the principal amount and accrued interest thereon will be sufficient to pay principal and interest on certain bond series upon redemption. Bonds will be called for at various dates from 1995 through 2001. At June 30, 1999, outstanding principal on the previous bond series was \$73,203,000.

6. LEASE COMMITMENT:

The Authority has a lease commitment for office space of \$3,352 per month through November 2002.

7. SUBSEQUENT EVENTS:

Subsequent to June 30, 1999, one bond series was issued totaling \$7,750,000.

REQUIRED SUPPLEMENTARY INFORMATION, YEAR 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Minnesota Higher Education Facilities Authority's (the Authority) computer programs that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions to operations.

The Authority is addressing Year 2000 exposures for the critical components of its operations, which primarily include internal computer systems and the systems of the Authority's third party trustees. An assessment of internal hardware and software has been performed and final modifications, upgrades and validation of these internal systems have been completed. The Authority's third party trustees have communicated to the Authority that their systems are operating in an environment that is Year 2000 compliant. The Authority has designated an Information Systems manager who is responsible for monitoring the Authority's overall Year 2000 efforts. The completion of these activities is not a guarantee that the Authority's internal systems or the systems of the Authority's third party trustees will be Year 2000 compliant.

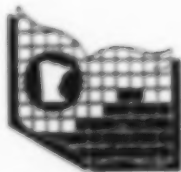
REPORT OF INDEPENDENT ACCOUNTANTS ON REQUIRED SUPPLEMENTARY INFORMATION

TO THE EXECUTIVE DIRECTOR AND
MEMBERS OF THE MINNESOTA HIGHER
EDUCATION FACILITIES AUTHORITY:

Our report on the audit of the financial statements of the Minnesota Higher Education Facilities Authority (the Authority) as of June 30, 1999, and for the year then ended, appears on page 17. This audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, which are set forth on pages 18 to 34, inclusive. The Year 2000 supplementary information on page 35 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we are unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by GASB Technical Bulletin 98-1, as amended, are not sufficiently specific and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that the Authority is or will become Year 2000 compliant, that the Authority's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become Year 2000 compliant.

Price Waterhouse Coopers LLP

September 10, 1999



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